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# Light and Dark Sides of Nonprofit Activities and the Rules to Manage Them

## The Case of Charitable Bingo

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Nonprofit organizations face numerous challenges in balancing mission and nonmission pressures. These competing demands create tensions that must be managed if nonprofits are to balance the light and the dark aspects of their activities. In addition to government regulation, the authors examine other sources of “rules” used to navigate light/dark tensions in the nonprofit sector. Drawing on one form of nonprofit activity—charitable bingo—this article uses neoinstitutional theories to develop a conceptual framework of how government and nongovernment actors actively generate rules to manage these tensions. Their work with charitable bingo demonstrates that nonprofit organizations are not simply passive recipients of nonnegotiable state-imposed rules. On the contrary, the authors demonstrate that individuals, nonprofits, and state actors develop boundary, position, choice, and scope rules to manage mission tensions in the nonprofit sector. Nonprofits that use rules to manage tensions appear better equipped to shape their environments by influencing their regulatory environments and how their missions are portrayed.

**Keywords:** *nonprofits; neoinstitutional analysis; managing mission tension*

**N**onprofit organizations fill many important roles in society. To encourage the positive or “light” side of their roles, nonprofit organizations have traditionally been the recipient of ambiguous, if not deferential political control (Kearns, 1996). However, nonprofits have also demonstrated

a “dark” side in their activities. Nonprofit scandals and the increasing “embrace between government and the nonprofit sector” (Frumkin, 2001, p. 1) give rise to growing legislative attention on nonprofit accountability at both the federal and state levels (Irvin, 2005; Keating & Frumkin, 2003; Kim, 2005).

Much of the research on nonprofit accountability (e.g., Benjamin, 2008; Berry & Arons, 2003; Cho & Gillespie, 2006; Frumkin & Andre-Clark, 2000; Gronbjerg, 1993; Irvin, 2005; Stone, 1996) tends to focus on how externally imposed rules (government regulations) influence nonprofit organizations and their outcomes. For example, Berry and Arons (2003) explore how charity-lobbying restrictions affect different types of nonprofit political activity. Using a risk perspective, Benjamin (2008) focuses on the potential conflict between nonprofit work and performance accountability.

In this article, we entertain the possibility that the light and dark sides of nonprofit activities are governed by more than externally imposed government regulations. We explore alternative sources of rules governing the tensions of nonprofit activities. We argue that nonprofit organizations are not simply passive recipients of government-imposed rules. Using nonprofit bingo as an illustrative case, we develop a framework accommodating the possibility that nonprofit organizations and their constituents are also involved in the process of determining rules of action in the voluntary sector. We argue that, like government, nonprofit organizations can be arenas of rule generation that allow participating individuals and nonprofit managers to negotiate the tensions between light and dark sides of nonprofit activity. We believe our approach, albeit more oriented toward managerial than policy implications, has some precedent among scholars interested in administration and society. Parallel studies have demonstrated the importance and development of rules at the individual, organization, and state levels in watershed policy (Imperial, 2005), state welfare policy (Mead, 2001), and postwar housing policy (Klijn, 2001).

We view the case of charitable bingo, with actors at the individual, organizational, and state level, as illustrative of the light and dark tensions facing many voluntary organizations today.<sup>1</sup> Many states, for example, have taken a keen regulatory interest in the charitable revenues (a “light” mission-based aspect) and profit skimming (a “dark” nonmission-based aspect) often associated with charitable bingo.

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In this article, we develop propositions to explore how individuals, nonprofit organizations, and government generate rules that facilitate the management of these light/dark tensions. We draw on neoinstitutional perspectives to illustrate how nonprofit organizations serve as “rule-creating” arenas to achieve social purpose missions (light) while confronting those (dark) dynamics that would detract from mission (e.g., corruption, mission drift). We use the case of charitable bingo to illustrate conditions under which nonprofits create rules to balance these mission-related tensions.

We begin this article by describing the rule generation process in nonprofits. Using the case of charitable bingo, we explore how nonprofits’ activities may create both costs and benefits for constituents, organization, and society. From this particular case, we develop generalizable propositions to explore the conditions that allow individuals and collections of individuals organized as nonprofits to generate rules to balance the light and dark side of nonprofit activities.

## **Theoretical Basis for Rule Generation in Nonprofit Activities**

In this section, we review some of the theoretical bases concerning how individuals, nonprofits, and the state balance tensions in nonprofit activities. Theorists and researchers have increasingly paid attention to the rules that individuals design within their own private lives and within their interactions in organizations to manage collective problems. These rules allow individuals interacting in complex relationships to “organize and govern themselves to obtain continuing joint benefits when all face temptations to free-ride, shirk or otherwise act opportunistically” (Ostrom, 1990, p. 29). Researchers in a variety of fields have found that self-interested individuals, interacting in complex and challenging environments, have developed extensive norms and rules to achieve collective ends (Ostrom, 2005). In the following section, we draw on neoinstitutional theories (e.g., DiMaggio & Powell, 1983, from sociology; Ostrom, 2005, from political science; North, 1990, and Ouchi, 1980, from economics) to help us understand how and why individuals and organizations develop rules and norms.

Rules often specify what is permitted, required, or prohibited (Crawford & Ostrom, 1995) in a particular situation. Neoinstitutional scholars generally define rules as prescriptions that are mutually understood and enforced by agents who are responsible for monitoring conduct and imposing sanctions and include regulations, laws, norms, values, traditions, and customs (Ingram & Clay, 2000). Rules provide the framework and boundaries for

action and decision making in any given context. Across a variety of theoretical perspectives and social contexts, rules inform decision makers about their standing and the potential consequences of their behavior (Feeny, 1988). Rules can also facilitate future interactions by creating predictable patterns of behavior among sets of actors (Berger & Luckmann, 1967). As such, rules both constrain and facilitate action. Although some rules are formalized by pen and paper, other rules develop over time through personal interaction or trial and error experiences and are known only implicitly rather than stated explicitly. Sensitivity to and awareness of rules are often “habituated and part of the tacit knowledge of a community” (Crawford & Ostrom, 1995, p. 583).

Although rules may not be formally articulated, they are known, understood, and sustained by “private actions of individuals” (Lam, 1996). Rules are socially constructed through routine and repeated interactions among individuals and between individuals and their daily routines. These rules may be observed as informal rules of thumb, social conventions, formal operational procedures, and professional or organizational norms and values. Over time, such rules may be embodied in local culture, credos, stories, myths, symbols, and routines and may become taken-for-granted guides of behavior.

Although some rules are followed because of the tangible policies of enforcement that are attached to the rules, in other cases, rules are followed because doing so provides social legitimacy. Such rules, particularly informal rules, are followed not because there are regulations in place to enforce adherence, but because following such rules reduces uncertainty of future decisions and ultimately leads to individual social acceptance and organizational legitimacy (DiMaggio & Powell, 1983). Rules may also be created to reduce the transaction costs involved in the development and management of diverse range of activities.

Ingram and Clay (2000) suggest rules are nested in a three-layered hierarchy, “with states superordinate to organizations which are superordinate to individuals” (p. 527).<sup>2</sup> Ostrom and Crawford (2005) unpack this jurisdictional approach to rules by developing a rule typology, which we employ in developing a framework for understanding how nonprofits use rules to manage the tensions they face. These rule types (Ostrom & Crawford, 2005, pp. 288-289) include the following:

- *Boundary rules* enabling/constraining who can participate in a particular activity,
- *Position rules* specifying actors’ positions,
- *Choice rules* enabling/constraining actors’ actions, and
- *Scope rules* circumscribing possible outcomes linked to those actions.

In the following sections, we illustrate the multiple levels at which these rules can operate in describing our case study: charitable bingo. To explore how nonprofit organizations serve as a space of rule generation to manage tensions, we begin by describing the tensions that nonprofit organizations face between mission attainment and commercial and regulatory processes in providing bingo. We then describe how each rule type described above can be used to manage those tensions.

### **Tensions in Nonprofit Activities: The Case of Charitable Bingo**

Throughout history and across many cultures, people have gambled and enjoyed games of chance (Basu, 1991; Bloch, 1951). These games of chance have often been used as social activities and sources of funds to promote charitable activities (Bennett, 1992; Prochaska, 1977). Today, many nonprofit organizations operate gaming activities of one sort or another; in the United States, such games largely escaped the negative connotations of casinos and back-alley gambling (Chapple & Nofziger, 2000). Currently, 46 of the 50 states permit and regulate legalized gaming for charitable purposes (Payton, 1999), with estimated gross receipts in the United States exceeding \$7 billion (National Association of Fundraising Ticket Manufacturers Report [NAFTM], 2004). For some charitable organizations, particularly Catholic churches, bingo has become a fixture of the organization's financial and social mission. Although we focus on charitable bingo specifically, we define charitable gaming as the use of games of chance, such as bingo or pull-tabs, by a nonprofit organization to create a social venue and generate revenue for charitable purposes.

Despite its widespread popularity, charitable bingo is an activity in which the positive and negative aspects are closely intertwined, even simultaneously present. The paradoxical nature of charitable bingo (i.e., simultaneous positive and negative impacts) creates tensions that individuals, nonprofits, and society must face. The complex nature of the deceptively simple act of charitable bingo is an interesting focus of study and an ideal context to study the process of rule making in the nonprofit sector.

As we will describe in more detail in the following section, the impact of charitable bingo on the individual, nonprofit organizations, and society is not always positive. We briefly describe the positive and negative aspects of an activity like charitable bingo at three levels of analysis: individuals who participate in bingo, the nonprofit organizations that offer charitable bingo, and the states and local governments that legalize and regulate bingo

**Table 1**  
**Light and Dark Aspects of Nonprofit Gaming**

Level of Analysis	Light Side of Nonprofit Gaming	Dark Side of Nonprofit Gaming
Individual	<ul style="list-style-type: none"> <li>• Social activity</li> <li>• Financial gain</li> <li>• Charitable contribution</li> </ul>	Pathologies associated with gaming: isolation, financial loss
Organizational	<ul style="list-style-type: none"> <li>• Missions related to community recreation</li> <li>• Income generation from games</li> </ul>	<ul style="list-style-type: none"> <li>• Mission drift caused by gaming</li> <li>• Inefficient income generation: high costs and skimming</li> <li>• Costs of staying abreast gaming regulations</li> </ul>
Societal	<ul style="list-style-type: none"> <li>• “Halo effect” reduces monitoring</li> <li>• Gaming as self-regulating industry</li> <li>• Gaming as source of tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Charities take advantage of societal trust</li> <li>• Unregulated criminal activity: ties to organized crime</li> <li>• Regressive taxation</li> </ul>

for charitable purposes. The following subsections detail the tensions of charitable bingo that are summarized in Table 1.

**Individual-Level Costs and Benefits**

At the individual level, bingo has long provided recreation and social opportunities particularly for economically disadvantaged (Little, 1994) and/or socially isolated members of the community (Rosier, 2000). Charitable bingo can lead to the development of social networks and the generation of social capital (Michelon, 1954; Slone, 1998). Charitable bingo also provides an opportunity for organization members to participate in fund raising and for community members to contribute to the activities of a local organization.

However, the pathological dangers of gambling are receiving increased attention from researchers and health advocates. Most studies of pathological behaviors focus on various forms of casino and sports gambling. To date, we know very little about the potential pathological behaviors of charitable bingo players. However, evidence that gambling at casinos is a substitute for charitable gaming (Gattuso, 1993) suggests that charitable bingo

may provide the introduction to gambling that ultimately results in pathological behaviors. Mathis's (2000) survey of state officials overseeing charitable gaming reports concerns that charitable bingo may be associated with some of the social problems associated with other forms of gambling. Research suggests that women may develop gambling problems more rapidly than men and that women are more likely to engage in gambling as a form of escape from everyday problems. Potenza, Steinberg, McLaughlin, Rounsaville, and O'Malley (2001) also observed that female players were more attracted to nonstrategic games such as bingo.

### **Organization-Level Costs and Benefits**

Nonprofit organizations, especially as mediating institutions, are also affected positively and negatively by charitable bingo. Many nonprofit organizations have long used bingo and other games of chance as both a friend raiser and a fundraiser for the organization and its causes. Organizations sometimes find that the open-forum nature of bingo, which can bring in people who may not be familiar with their organization and its mission, provides added publicity for organizational causes (Benson, 1994). Also, charitable bingo can be a valuable source of revenue. Such revenues may be particularly important for organizations in impoverished communities that perceive they have little access to other sources of revenue. As Father Boudreau (2002, p. 49) remarks, "Where I once served as an assistant pastor, bingo was the financial cornerstone. Without it, our poor, urban parish would have gone right down the tubes with no survivors."

On the dark side, however, nonprofit organizations often realize only a small percentage of the revenues from charitable bingo (Paarlberg, Nesbit, Clerkin, & Christensen, 2005). Nonprofit organizations incur many costs, financial and nonfinancial, in operating bingo. Many nonprofit organizations hire individuals or organizations to operate their bingo event, rent or lease buildings from for-profit operations, or buy bingo paper and concessions that lead to high costs of operation. With the rise of gambling in riverboat casinos, Indian casinos, and state lotteries, nonprofit organizations find themselves in increasing competition for gamers with both government and for-profit gaming institutions (Gambling: Fair Play for Bingo, 1995). This competition increases the demand for nonprofit organizations to update and upgrade both their facilities and the payouts in their games (Gambling: Fair Play for Bingo, 1995; Gattuso, 1993; Kershaw, 2003; Pollack, 1997). Failure to keep up may explain why between 1990 and 1995 revenues from church-sponsored bingo declined as much as 50% (Daoust, 1995).



In addition to the financial costs of charitable bingo, other costs include both loss of organizational independence and the potential for mission drift. States have long been involved in efforts to control charitable bingo, placing the fund-raising activities of nonprofit organizations directly under the control of government agencies. For example, in 1980, the city of New York moved in to regulate a bingo price war and set a minimum price that organizations could charge for a round of bingo (Schwarz, 1986). As states have moved to not only reduce the level of fraud in the gaming industry but also to capture revenues from gaming, the regulation of charitable gaming has tightened (Martindale, 1997). Many organizations find it increasingly difficult and costly to stay abreast of changes in state regulation of gaming. Organizations may also find that operating bingo potentially detracts from their social missions.

### **Societal-Level Costs and Benefits**

Charitable bingo also has costs and benefits to society. At the societal level, state taxation of charitable bingo is a form of revenue generation. In search of increasing revenue sources, governments have eagerly received the revenues from all sorts of gaming activities (Perritt, 1992), including charitable bingo, viewing such revenue as an “easy” way to raise additional money without raising taxes. For 2004, the NAFTM (2004) reported that approximately 3% of total charitable gaming revenue went back to the states in the form of licensing fees and taxes on charitable gaming revenues.

Gambling also imposes costs that are borne by society and government. These costs include crime, costs of government regulation, and the social costs associated with addictive behaviors. Because of a traditional lack of sufficient oversight and regulation by the state and nonprofit governing bodies, charitable bingo is open to exploitation by nefarious interests, outside and within the organization (Breckenridge & Reporter, 2002; Delaney, 1998). Irrespective of time and culture, all forms of gambling have had ties to organized crime (Basu, 1991; Kachel, 1987). According to a Pennsylvania Crime Commission report, operating fraudulent charity bingo is almost the perfect white-collar crime because of the lack of state resources to monitor it and enforce regulations (Gattuso, 1993), its typically all-cash nature, and society’s benign view of bingo.

Additionally, although taxes on gaming reflect a boon to state revenue, taxes on gambling are a highly regressive way to raise additional revenues. Players with lower incomes spend a proportionately higher level of their income on games (Perritt, 1992). Although lucrative nonprofit bingo parlors

may generate high revenues, only a small portion of that revenue may go to meet local community needs (Cook, 2000; Gattuso, 1993; Serrill, 1997).

How might nonprofit organizations use rules to navigate tensions such as those described above? In the following section, we return to the rule typologies discussed earlier to illustrate how nonprofits might manage tensions.











## **Rule Making in the Charitable Bingo Arena**

We begin by positing that individual gamers and decision makers in charitable bingo organizations create rules that serve to balance the tension of the light and dark sides of charitable bingo. Individual and organizational rule making are influenced by not only the explicit governmental regulation of the charitable gaming activity and social norms and mores concerning gaming in general and charitable gaming in particular but also by individual and organizational characteristics. We use our discussion of charitable bingo as a means to develop general propositions about the rules individuals, nonprofits, and society develop to balance the light and dark sides of their activities. Table 2 summarizes our propositions about these rules and how they act to ameliorate tensions faced by nonprofits. Because some rule types are used at multiple levels, we review each level of rule making in terms of the four rule types: boundary, position, choice, and scope rules. Although our following observations are based on the case of charitable bingo, the light/dark side of nonprofit endeavors is not uncommon (for a review of dark side of nonprofit activities, see Christensen et al., 2002). In an effort to highlight the broader potential, this framework has for understanding how nonprofits manage these tensions, Table 2 builds on Table 1 by including general references to the positive and negative aspects of many charitable activities.

### **Individual-Level Rule Making**

At the individual level, rules can operate relative to three categories of action: participation, winning/profit making, and socializing. The first category includes norms and rules touching on which individuals participate in charitable bingo. For example, as noted above, some researchers have observed that bingo seems to be a game preferred by women. Although there are no formal rules that prohibit men from participating in most bingo games<sup>3</sup>—many males likely self-select out of charitable bingo. The behavioral and attitudinal norm is that women dominate bingo games because

**Table 2**  
**Managing Light and Dark Aspects of Nonprofit Activities:**  
**Rule-Tension Framework**

Level of Analysis	Light Aspects		Four Rule Types to Used Manage Tensions		Dark Aspects	
	General Case	Nonprofit (NP) Gaming			NP Gaming	General Case
Individual	<ul style="list-style-type: none"> <li>NP used as agents of cohesion</li> <li>NP used to maximize fiscal and social benefit</li> </ul>	<ul style="list-style-type: none"> <li>Social activity</li> <li>Financial gain</li> <li>Charitable contribution</li> </ul>			<ul style="list-style-type: none"> <li>Pathologies of gaming: isolation</li> <li>Pathologies of gaming: financial loss</li> </ul>	<ul style="list-style-type: none"> <li>NP used for commercial means only or without regard for social consequences</li> </ul>
	<ul style="list-style-type: none"> <li>Mission reinforcement</li> <li>Income</li> <li>Clarification of charitable role</li> </ul>	<ul style="list-style-type: none"> <li>Missions related to community recreation</li> <li>Income generation from games</li> </ul>			<ul style="list-style-type: none"> <li>Mission drift caused by gaming</li> <li>Inefficient income generation: high costs and skimming</li> </ul>	<ul style="list-style-type: none"> <li>Mission drift</li> <li>Compromise income</li> <li>Obfuscate charitable role</li> </ul>
						<ul style="list-style-type: none"> <li>Costs of staying and skimming</li> <li>abstract gaming regulations</li> </ul>
Societal	<ul style="list-style-type: none"> <li>NP are trusted providers of programs and services</li> </ul>	<ul style="list-style-type: none"> <li>"Halo effect" reduces monitoring</li> <li>Gaming as self-regulating industry</li> <li>Gaming as source of tax revenues</li> </ul>			<ul style="list-style-type: none"> <li>Charities take advantage of societal trust</li> <li>Unregulated, criminal activity: ties of gaming to organized crime</li> <li>Regressive taxation</li> </ul>	<ul style="list-style-type: none"> <li>NPs exploiting public trust</li> </ul>
						
						

unlike craps, blackjack, or betting on horses, which are perceived to be skill-dependent game, bingo is less strategic.

The development of these boundary rules (Ostrom & Crawford, 2005) about participation leads to the creation of more homogenous groups of bingo players thus creating an in-group identity. The opportunity for an individual to identify with the in-group may be one way that individuals balance the light and dark tension between bingo as a social activity and bingo leading to the pathology of isolation. To prevent isolation and playing bingo purely for the sake of gambling, individuals will seek out bingo halls that contain players of similar demographic characteristics to facilitate engaging in the socialization that takes place around bingo.

*Proposition 1—Individual-level boundary rule.* To prevent isolation, individuals develop boundary rules to participate in activities at nonprofits where other participants are demographically similar (see Table 2, individual level).

Beyond general participation norms and rules, rules may also guide behavior relative to winning. These choice rules (Ostrom & Crawford, 2005) guide the actions that individuals undertake while playing bingo may allow them to balance the light and dark sides of bingo related to playing bingo for financial gain and potentially experiencing the pathology of financial loss. Bearing in mind the purpose of norms and rules—to create order and predictability—belief systems and rituals have played a part in gaming since ancient times (Basu, 1991). In regard to bingo, Chapple and Nofziger (2000) witnessed the following:

coins, rocks, figurines, stuffed animals, and framed pictures being touched during play, and shifted around on the bingo cards as numbers were called. Although not all players used charms, those who did projected an image of being intense and serious bingo players. . . . It appeared to us that the players who used charms during bingo play, believed at some level, that the charm could influence the outcome of the game. (p. 501)

Similarly, Father Boudreau (2002) observed that after once blessing a winning bingo card, he could never walk through the bingo hall without someone asking him to bless his or her bingo card. Bingo players may make rules to limit how much money they devote to playing bingo, by limiting how many cards they buy in an evening, the costs of the games that they attend, and how often the play. These examples from bingo indicate that individuals can generate choice rules in two ways: (a) to maximize the benefits from their activities or (b) to minimize the costs of their activities.

*Proposition 2—Individual-level choice rule.* Individual beneficiaries or service recipients of nonprofit programs develop choice rules to guide their activities toward maximizing benefit or minimizing costs (see Table 2, individual level).

Individuals also create scope rules and norms that influence the social atmosphere. Chapple and Nofziger (2000) observed that many bingo players preferred gaming settings where low levels of talking were permitted, and where food was allowed. They suggest that “the socializing around food [at games nights] appeared to be both routinized and ceremonial” (p. 504). Individuals may create social rules by choosing to attend bingo with friends, thus only choosing to play in settings where they have existing relationships and social networks. This choice can be driven by the charitable causes and organizations for which the individuals already volunteer and donate. By playing charitable bingo, especially at locations that emphasize the social and charitable nature of the endeavor, individuals perceive any financial losses as donations to charity rather than gambling losses.

*Proposition 3—Individual-level scope rule.* Individuals develop scope rules to be involved in nonprofits where they receive direct financial or social benefits than ones where such benefits are secondary (see Table 2, individual level).

## Organizational Rule Making

Organizations make internal rules that influence the social atmosphere of the gaming event as well. For example, organizations may choose to disallow food or alcohol at their events. They may follow traditions to host “ladies only” evenings or special event holiday parties. Similarly, organizations also develop rules that minimize the dangers of gaming to individuals by limiting the size of the bingo payout, placing limits on the number of cards that gamers can play, limiting the frequency of bingo nights, and setting the costs to play. Previous analysis suggests that there are significant differences in the net proceeds that different types of nonprofits generate from bingo (Paarlberg et al., 2005). The rules that organizations establish to limit their liabilities or enhance their bottom lines ultimately influence the net proceeds of the operation. These rules may involve hiring a “manager,” renting facilities, determining the size of the stakes, deciding whether to use guaranteed payouts, and determining whether to rely on volunteer labor or other existing organizational resources in holding a bingo event. Development of rules to guide gaming behavior is influenced by the characteristics of the organization and the relationship between gamers and host organization.

Values of the nonprofit organization are forms of organizational structure that may be less visible, but no less valuable, in facilitating the rule generation. Henry Mintzberg (1983) suggests that a rich system of values and beliefs concerning the role of the organization and how it should be managed exerts strong control over organizational stakeholders. Of particular importance in generating rules to manage the impact of charitable bingo may be the relationship of the charitable bingo to the organizational mission.

As with any commercial enterprise nonprofits undertake, they are at risk of mission drift (Weisbrod, 1998). In this case, the nonprofit pursues bingo receipts purely as a means to generate revenue rather than primarily in support of its mission. The extent to which charitable gamers share the norms and values of the organization influences the potential level of compliance with rules and the need to develop monitoring and enforcement systems. Chapple and Nofziger (2000) observed that some bingo players saw their activity as a “charitable activity,” as opposed to self-serving income generation, and they played at specific locations to support the organization. Highlighting the mission of the organization or the intended beneficiaries of the proceeds from bingo, rather than the size of payouts when advertising their bingo games, increases this matching of individual and organizational values. The matching of bingo player and organizational values around the mission of the organization should lessen the risk of mission drift around bingo.

*Proposition 4—Organization-level boundary rule.* Nonprofits develop boundary rules that highlight the mission rather than particular programs or activities of the organization to attract individuals who share the organizations’ values to participate in programs and activities to lessen the risk of mission drift (see Table 2, organizational level).

## **Organization Characteristics: Access to Other Resources**

Christine Oliver’s (1991) theorizing about organizations’ responses to institutional pressures suggests that organizations’ abilities to develop unique responses to external rules are influenced by a variety of organizational factors including organizations’ access to other resources. Organizations that are heavily reliant on single sources of revenue are less likely to be able to resist the demands of that particular funding source (Gronbjerg, 1993). Anecdotal evidence suggests that the degree of organizational dependence on bingo revenue varies greatly across organizations. Nonprofits face a range of choices in deciding how to deploy scarce resources in an effort to

generate revenue from bingo. Although bingo can be a large source of revenue that nonprofits can use in support of their mission, the mostly all cash nature of bingo receipts opens up the possibility of individuals skimming money off the top line of receipts (e.g., Ryckaert, 2002). The more important bingo revenues are to the nonprofit, the more likely they are to develop rules to prevent skimming. This can involve developing separation of duties of selling bingo cards, collecting payment for the cards, and depositing the receipts. Such a separation of duties allows for multiple chances to reconcile the number of cards sold, versus the cash collected, versus the cash deposited, making it more difficult for an individual to skim cash from the operation.

*Proposition 5—Organizational-level choice rule.* Organizations highly dependent on a single source of revenue will develop choice rules to protect the integrity of that revenue source (see Table 2, organizational level).

One final tension nonprofits face in holding bingo is between bingo as a source of revenue and keeping on top of the constantly changing regulatory environment. State regulations can limit the number of times a nonprofit can hold bingo, where the event can be held, who can work the event, the size of the payouts, and many other attributes of the game (Tesdahl, 1994). Although bingo may be a way for nonprofits to raise revenues and awareness of their mission, these organizations do not have a de facto right to hold such events. To secure access to these revenues, nonprofits must be compliant with current regulations and laws. Changing legislation and regulations around bingo does not only tend toward tightening regulations to limit what nonprofits can do. Recent changes in regulation in some states have allowed nonprofits to increase the size of their jackpots and the types of games they can use to more effectively compete with the for-profit gaming industry (Jones, 2006). To stay abreast of changing regulations, nonprofit organizations need to either dedicate staff or volunteer time to monitoring state regulations or join together to form advocacy and lobbying groups (Tesdahl, 1994) to not only react to changes to stay in compliance but also to actively engaging in writing these regulations.

*Proposition 6—Organization-level position rule.* In turbulent regulatory environments, nonprofits develop position rules to establish roles for individuals within their organizations, or join peak organizations, to help interpret and interact with that environment (see Table 2, organizational level).

## Societal Rule Making

Although we have illustrated the role of “internal” rule development, we recognize that the ability of individuals and organizations to create charitable bingo rules is influenced by the context in which they operate. We apply Chubb and Moe’s (1988, p. 1066) argument to charitable bingo to suggest that the organization of nonprofit gaming is “largely endogenous to the system of institutional control in which” the nonprofits are embedded. At this level of analysis, the characteristics that might feasibly constrain organizational rule-making behavior comprise the larger institutional and environmental context.

The institutional environment affecting the nonprofit organizations consists of not only the legal rules adopted by the state or county government in which an organization operates but also the larger societal norms that guide both organizational and individual behavior. Governmental bodies enact and enforce numerous rules that control both the operation of charitable gaming and the existence of competition in the form of legalized gambling. Although states have taken primary responsibility for the regulation of charitable gaming, federal regulation also exists. Government regulations control the operation and management of charitable gaming, the reporting of activities, and the use of revenues. For example, most states authorizing charitable gaming have developed a variety of fee structures, many of them dependent on amount of gross receipts. Louisiana, similar to many other states, requires that all personnel who operate a bingo game be an “active member of an organization or association issued a charitable gaming license” (Louisiana Revised Statute, 4: 715 (A)(1)). Because nonprofit status typically exempts charitable organizations from paying income tax on their revenues, states have an incentive to develop rules limiting bingo to charitable purposes to avoid questions/problems of clearly delimiting mission-related revenues.

*Proposition 7—Societal-level choice rule.* The more scandals involving the running of nonprofits, the more governments will develop choice rules to regulate nonprofits by limiting their licit range of activities (see Table 2, societal level).

On a more basic level, states attempt to mitigate these scandals by deciding what types of nonprofit organizations can provide bingo. Based on the “halo effect” of being perceived as good/noble organizations (Ganzert & Mahaffey, 2004), charitable nonprofits are assumed to be more honest actors than other types of nonprofits, much less for-profit organizations. By



relying on tax status as an indication of trustworthiness, state may decide to allow greater levels of self-policing and self-regulation among bingo providers. This ultimately allows states to lower their monitoring costs while achieving the goal of removing a criminal element from bingo.

*Proposition 8—Societal-level boundary rule.* Governments develop boundary rules, based on organizational tax status, to limit the types of nonprofits that provide a particular service/activity to lower oversight costs (see Table 2, societal level).

The final light and dark side tension we will discuss is the tension states face between taxes and fees they raise from charitable bingo and the regressiveness of this form of revenue generation (Perritt, 1992). Governments typically use tax policies to redistribute income to provide its citizens with a basic standard of living. However, such a structuring of the tax code can lead to economic inefficiency because of disincentives to work harder/longer if the rate of taxation increases as income increases (De Nardi, Ren, & Wei, 2000). In essence, governments are making an equity/efficiency trade-off when they institute a progressive tax system. In the case of charitable bingo, the opposite effect is being observed. Charitable bingo is a relatively efficient revenue generation vehicle of government; individuals are voluntarily taxing themselves. However, there are questions of equity if players with lower income spend a greater proportion of their income on games than players with higher income. The more individuals that play charitable bingo, the greater revenues from taxes and fees that flow into state coffers, thus leading states to develop regulations, such as increasing maximum payouts, to increase the number of players (Jones, 2006). At the same time, states develop regulations to enhance the charitable rather than the gambling nature of bingo, as a way to balance this tension.

*Proposition 9—Societal-level scope rule.* Governments develop scope rules to balance social equity with economic efficiency.

## Discussion

We have demonstrated here that even in the case of a relatively simple charitable bingo game, multiple actors at multiple levels of analysis engage in rule making. We have highlighted the types of rules that are developed by individuals within nonprofit organizations, the rules nonprofit organizations develop themselves, and the rules society develops to govern this activity.

We have used the case of charitable bingo to demonstrate that nonprofit organizations foster the development of rules—norms, ideologies, strategies—that help organizations and individual stakeholders mediate the tensions between their mission and nonmission pressures. Although learning more about charitable bingo and the tensions it creates is important academic and operational pursuits unto themselves, this is just a first step. Describing the impacts of apparently simple acts of playing bingo provides us a relatively well-defined field of study to explore and develop frameworks and theories of more complex interactions among nonprofit organizations, their stakeholders and their environment. We do not believe these interactions among individual, organization, and state are unique to charitable bingo.

Individuals, nonprofits, and society develop four types of rules (boundary, position, choice, and scope) to manage tensions arising from these interactions. We discuss each, in turn, below; this discussion is also graphically summarized in Table 2.

We have observed that boundary rules are used at the individual level to develop more demographically homogenized bingo players to prevent isolation among players so as to highlight the social nature of bingo and avoid the pathologies of gambling. At the organizational level, boundary rules are developed to attract players empathetic to the nonprofit's mission to lessen the risk of mission drift. At the societal level, we have argued that boundary rules are used by government to limit bingo to charitable nonprofits. Relying on the halo effect of pro-social intentions of charitable nonprofits, governments seek to reduce their role in regulating nonprofits while avoiding the social ills of gambling.

In this article, we have discussed position rules only at the organizational level. In turbulent environments, nonprofits will develop position rules to help monitor that environment. This can be accomplished by creating positions within the organization or by joining a peak association. These rules allow nonprofits to monitor and buffer themselves from environmental changes.

Choice rules are developed to enable/limit an actor's activities. We have proposed that this type of rule is in operation at the individual, organizational, and societal levels. Individuals will use lucky charms or get their bingo cards blessed to maximize the "chances" of winning. They may also develop similar routines to minimize their risk of financial loss. Nonprofit organizations will develop specialized rules for individuals to protect the integrity of this income stream. They will separate the duties involved in the cash transactions of bingo games to prevent skimming of cash and other forms of shrinkage. Governments develop choice rules in response to scandals in charitable bingo by increasing the level of regulation of the industry.

Finally, we have discussed scope rules being generated at the individual and societal levels. Scope rules are developed to link desired outcomes to actions. Individuals develop scope rules to avoid the pathologies of gaming by choosing to play bingo with nonprofits they receive a direct benefit from. This focuses their bingo activities on the charitable mission of the nonprofit rather than the gambling nature of the activity. We have also discussed how governments develop scope rules to balance the revenue generating potential of charitable bingo against the regressiveness of this income stream. As discussed above, this specific case of charitable bingo provides us with insight into the more general processes at play as individuals, nonprofits, and society seek to balance the light and dark sides of their activities.

## Conclusion

In addition to rules being generated at the individual, organizational, and societal level of analysis to manage intra-level tensions, we further observe that rules developed at one level will affect the actors and rules developed at a different level of analysis (Ostrom, 2005). As we argued earlier in this article, nonprofits are not necessarily passive rule-following organizations shaped solely by rules imposed at the societal level. Nonprofits are actively involved in shaping their environments and interacting with both individual and state actors. In the case of charitable bingo, for example, we have observed this interaction in the state of Indiana—in this case, between the organization and societal level. In 2003, Indiana's Department of Revenue adopted requirements that changed the way nonprofit organizations could use charitable bingo revenues. Although some charities reacted by not renewing their gaming licenses, others took the state agency to court (example of position rule), causing the department to suspend enforcement of the new rules (Oddi, 2004).

We see such occurrences as opportunities to substantiate, in future research, the framework we have introduced in this article (summarized in Table 2). For example, to explore inter-level and societal rule generation, we plan to examine the relationship between actions of state regulatory bodies, such as Indiana's Department of Revenue, and those of regulated nonprofit organizations. At the organizational level, we offer ongoing research focusing on responses of nonprofit organizations to competition from the for-profit sector. At the individual level, we plan to survey bingo players to gain greater understanding of rule construction at this level. Beyond charitable gaming, we plan to search out other activities (e.g., social service provision) that highlight the tensions many nonprofit organizations face.

Nonprofit organizations in a variety of fields face increasing pressure to balance mission and nonmission forces. The framework and propositions we have developed in this article indicate that nonprofit organizations, in addition to individuals and governments, can actively develop rules that mitigate these light/dark tensions. We have explored charitable bingo and the rules individual, organizational, and state actors develop to manage light/dark tensions. In focusing on these three levels, we draw on explanatory institutional mechanisms such as boundary, position, choice, and scope rules to lay a conceptual framework for studying a broader host of nonprofit activities. Our approach has implications for both how actors within the nonprofit sector think about their activities and how we study the behavior of nonprofits in society.

## Notes

1. For example, nonprofit hospitals must balance providing levels of community benefit appropriate to justify their tax-exempt status with bottom line and profitability requirements to compete in a competitive health care environment. Also social service nonprofits are often critiqued for creating a “culture of dependency” among their clients, where they never completely “cure” their client, for doing so would decrease their revenues.

2. See Ostrom, Gardner, and Walker (1994) who originally identified this hierarchy at the constitutional, collective choice, and operational levels.

3. Although, there are organizations that specifically host “ladies bingo night” and thus there may be organizational-level rules to exclude men.

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